

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRODUCT PRICES  
INBOUND MARKET DOMINANT MULTI-SERVICE AGREEMENTS  
WITH FOREIGN POSTAL OPERATORS 1

KOREA POST - UNITED STATES POSTAL SERVICE  
MULTI-PRODUCT BILATERAL AGREEMENT (MC2010-35)  
NEGOTIATED SERVICE AGREEMENT

Docket No.  
R2017-6

**NOTICE OF UNITED STATES POSTAL SERVICE OF TYPE 2 RATE ADJUSTMENT,  
AND NOTICE OF FILING FUNCTIONALLY EQUIVALENT AGREEMENT, AND  
APPLICATION FOR NON-PUBLIC TREATMENT**  
(February 13, 2017)

The United States Postal Service (Postal Service) hereby provides this notice (Notice), in accordance with 39 C.F.R. § 3010.40 *et seq.*, of a Type 2 rate adjustment for inbound small packet with delivery scanning items, which results in improvement over default rates established under the Universal Postal Union (UPU) Acts. This Notice concerns the inbound market-dominant portion of a Multi-Product Bilateral Agreement with Korea Post (Korea Post 2017 Agreement), which the Postal Service seeks to include within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product, in the market dominant product list of the Mail Classification Schedule (MCS).<sup>1</sup>

In accordance with Order No. 2148,<sup>2</sup> the Postal Service explains in this Notice how the Korea Post 2017 Agreement that is the subject of this docket is functionally

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<sup>1</sup> See PRC, (draft) Mail Classification Schedule, posted January 22, 2017, available at <http://www.prc.gov/mail-classification-schedule>, 1602.3 Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1, at 202-203.

<sup>2</sup> PRC Order No. 2148, Order Granting, in Part, Motion for Partial Reconsideration of Order No. 1864 and Modifying, in Part, Order No. 1864, Docket No. R2013-9, August 11, 2014.

equivalent to the agreement with China Post Group (China Post) filed in Docket No. R2010-6 (“the China Post 2010 Agreement”). The Commission previously determined that the bilateral agreement with Korea Post currently in effect (the Korea Post 2016 Agreement) is functionally equivalent to the China Post 2010 Agreement,<sup>3</sup> and the Postal Service suggests that the Commission apply the same rationale in reviewing the instant Korea Post 2017 Agreement. Accordingly the Korea Post 2017 Agreement should be included within the Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 product.

In accordance with 39 C.F.R. § 3010.41, the Postal Service is required to provide public notice, and to transmit notice to the Commission, no later than 45 calendar days prior to the intended implementation date of a negotiated service agreement. To satisfy this requirement, the Postal Service is filing the Korea Post 2017 Agreement with the Commission no later than 45 calendar days before the intended effective date of the Korea Post 2017 Agreement, which is April 1, 2017.

Attachment 1 to this Notice is the Postal Service’s application for non-public treatment of these materials. A redacted copy of the Korea Post 2017 Agreement is included in the public version of this filing as Attachment 2. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

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<sup>3</sup> PRC Order No. 2843, Order Approving Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement (with Korea Post), Docket No. R2016-1, November 25, 2015, at 7.

The full unredacted text of the Korea Post 2017 Agreement<sup>4</sup> and the unredacted supporting financial documentation establishing compliance are being filed separately under seal with the Commission.

***I. Notice of Agreement and Rate Adjustment***

***A. Satisfaction of the Criteria under Part 3010, Subpart D of the Rules of Practice and Procedure***

The Postal Service provides the following answers, descriptions, and affirmations in response to the criteria for contents of a notice in support of a negotiated service agreement, as provided in 39 C.F.R. § 3010.42. This statement provides support for the implementation of the Korea Post 2017 Agreement and the establishment of the rates offered therein. The discussion that follows concerns only the inbound market-dominant rates and related sections of the Korea Post 2017 Agreement. The subsections below address each of the relevant regulatory requirements for the notice of a Type 2 rate adjustment negotiated service agreement set forth at 39 C.F.R. § 3010.42.

Pursuant to 39 C.F.R. § 3010.42(a)-(d), this Notice includes:

- (a) A copy of the negotiated service agreement;*
- (b) The planned effective date(s) of the planned rates;*
- (c) A representation or evidence that public notice of the planned rate adjustments has been issued or will be issued at least 45 days before the effective date(s) for the planned rates; [and]*
- (d) The identity of a responsible Postal Service official who will be available to provide prompt responses to requests for clarification from the Commission[.]*

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<sup>4</sup> The copy of the Korea Post 2017 Agreement filed under seal in connection with this notice has not yet been signed by both parties. Korea Post has indicated that it expects to sign the agreement soon. Therefore, the Postal Service intends to file under seal a copy of the Korea Post 2017 Agreement executed by the Postal Service and Korea Post, as well as a redacted version of that document, in this docket soon.

A redacted copy of the Korea Post 2017 Agreement is filed as Attachment 2 to this Notice. An unredacted copy of the Korea Post 2017 Agreement is being filed under seal in connection with this filing. The Korea Post 2017 Agreement's inbound market dominant rates are planned to become effective on April 1, 2017. Public notice of these rates is being given through the filing of this Notice (which is publicly posted on the Commission's website) at least 45 calendar days before the effective date. Ms. Amy Chung, Manager, Regional Business Development, Global Business Solutions, United States Postal Service, will be available to provide prompt responses to requests for clarification from the Commission.

Pursuant to 39 C.F.R. § 3010.42(e), this Notice includes:

*(e) A statement identifying all parties to the agreement and a description clearly explaining the operative components of the agreement[.]*

As with the Korea Post 2016 Agreement that is currently scheduled to expire on March 31, 2017,<sup>5</sup> which included rates for inbound small packets with delivery scanning, the parties to the Korea Post 2017 Agreement are the United States Postal Service and Korea Post, the designated postal operators of the United States of America and the Republic of Korea, respectively. The Korea Post 2017 Agreement, like the Korea Post 2016 Agreement, includes negotiated inbound market dominant rates for various inbound small packets with delivery scanning.

Pursuant to 39 C.F.R. § 3010.42(f), this Notice includes:

*(f) Details regarding the expected improvements in the net financial position or operations of the Postal Service. The projection of change in net financial position as a result of the agreement shall be based on accepted analytical principles. The projection of*

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<sup>5</sup> PRC Order No. 3617, Order Approving Modification to Existing Agreement, Docket No. R2016-1, November 16, 2016.



*change in net financial position as a result of the agreement shall include for each year of the agreement:*

*(1) The estimated mailer-specific costs, volumes, and revenues of the Postal Service absent the implementation of the negotiated service agreement;*

*(2) The estimated mailer-specific costs, volumes, and revenues of the Postal Service which result from implementation of the negotiated service agreement;*

*(3) An analysis of the effects of the negotiated service agreement on the contribution to institutional costs from mailers not party to the agreement; [and]*

*(4) If mailer-specific costs are not available, the source and derivation of the costs that are used shall be provided, together with a discussion of the currency and reliability of those costs and their suitability as a proxy for the mailer-specific costs[.]*

The Postal Service is providing information about expected financial improvements, costs, volumes, and revenues in the financial workpapers that the Postal Service is filing under seal in this docket. As the Commission has directed,<sup>6</sup> these financial workpapers supporting cost coverage use the respective 2017 and 2018 UPU terminal dues rates as the default rates that Korea Post would otherwise pay during the term of the Korea Post 2017 Agreement in the absence of this agreement.

Pursuant to 39 C.F.R. § 3010.42(g), this Notice includes:

*(g) An identification of each component of the agreement expected to enhance the performance of mail preparation, processing, transportation, or other functions in each year of the agreement, and a discussion of the nature and expected impact of each such enhancement[.]*

For the Korea Post 2017 Agreement, operational and other improvements include:

- A process for collecting tracking events associated with small packets with delivery scanning sent from Korea to the United States;

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<sup>6</sup> PRC Order No. 2843, at 10.

- Accounting and settlement processes for small packets with delivery scanning;
- Sortation recommendations; and
- Additional data exchange requirements.

These improvements should enhance the performance of mail preparation, processing, transportation and other functions related to the delivery services provided for inbound small packets with delivery scanning items under the Korea Post 2017 Agreement.

Pursuant to 39 C.F.R. § 3010.42(h), this Notice includes:

*(h) Details regarding any and all actions (performed or to be performed) to assure that the agreement will not result in unreasonable harm to the marketplace[.]*

The Korea Post 2017 agreement will not result in unreasonable harm to the marketplace. Korea Post is a designated operator as that term is used in the Universal Postal Convention. Designated operators ordinarily compensate each other for the delivery of letter post (including small packets) in accordance with terminal dues at rates set by the UPU, unless two (or more) designated operators negotiate and conclude a bilateral (or multilateral) agreement.<sup>7</sup> For inbound mail to the United States, designated operators are subject to the UPU's terminal dues, and therefore no other entities would be in a position to negotiate a bilateral agreement concerning such terms for letter post between Korea and the United States to supersede terminal dues. Further, Korea Post is the only entity in a position to avail itself of an agreement with the Postal Service of this type. The Postal Service is unaware of any private entity that would be able to

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<sup>7</sup> See Universal Postal Convention, Article 29 ¶ 11.

serve the United States market for small packets with delivery scanning from Korea on the terms and scale contemplated in the Korea Post 2017 Agreement. Moreover, this agreement will increase remuneration for inbound packets from Korea over default UPU terminal dues. Thus, the Postal Service submits that the Korea Post 2017 Agreement is unlikely to pose competitive harm to the marketplace.<sup>8</sup>

Pursuant to 39 C.F.R. § 3010.42(i), this Notice includes:

*(i) Such other information as the Postal Service believes will assist the Commission to issue a timely determination of whether the requested changes are consistent with applicable statutory policies.*

In this docket, the Postal Service is presenting only those parts of the Korea Post 2017 Agreement that concern delivery of inbound small packets with delivery scanning in the United States that are tendered by a foreign postal operator (i.e., negotiated rates for an inbound market dominant product). The rates paid by the Postal Service to Korea Post for outbound delivery of certain Postal Service products in Korea under the Korea Post 2017 Agreement are not presented to the Commission, because those rates represent supplier costs to the Postal Service, akin to an agreement to purchase trucking services from highway contractors or to purchase air transportation from air carriers. Such rates are built into the prices that the Postal Service charges its mailing customers for outbound products, which are the subject of a different regulatory filing.

#### **B. Data Collection Plan**

Under 39 C.F.R. § 3010.43, the Postal Service must include with its notice of agreement “a detailed plan for providing data or information on actual experience under the agreement sufficient to allow evaluation of whether the negotiated service

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<sup>8</sup> This does not imply, however, that there is an absence of competition in this market. The market is liberalized to some degree, particularly for bulk business letters and heavier weight letter post.

agreement operates in compliance with 39 U.S.C. [§] 3622(c)(10).<sup>9</sup> The Postal Service intends to report information on the Korea Post 2017 Agreement through the Annual Compliance Report. The Postal Service will continue to cooperate with the Commission to provide any necessary information about mail flows from Korea during the annual compliance review process. Therefore, the Postal Service proposes that no special data collection plan be created for the Korea Post 2017 agreement. Furthermore, with respect to performance measurement, this is a negotiated service agreement that covers “merely a grouping of other products already being measured.”<sup>10</sup> The Postal Service respectfully requests that the Korea Post 2017 Agreement, if included in the requested product grouping in the MCS, be excepted from separate reporting under 39 C.F.R. § 3055.3(a)(3) by virtue of Commission Order No. 996. That Order provided a standing exception for all agreements added to the International Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product grouping.<sup>11</sup>

### **C. Statutory Criteria**

Under 39 U.S.C. § 3622(c)(10), the criteria for the Commission’s review are whether the agreement (1) improves the net financial position of the Postal Service or enhances the performance of operational functions, (2) will not cause unreasonable harm to the marketplace, and (3) will be available on public and reasonable terms to similarly situated mailers. The first two criteria have been addressed in Part I.A. above. With respect to the third criterion, there are no entities that are similarly situated to

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<sup>9</sup> 39 C.F.R. § 3010.43(a).

<sup>10</sup> PRC Order No. 292, Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements and Customer Satisfaction, Docket No. RM2009-11, September 2, 2009, at 15.

<sup>11</sup> PRC Order No. 996, Order Concerning an Additional Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. R2012-2, November 23, 2011, at 9.

Korea Post in their ability to tender the small packet with delivery scanning flows from Korea that are the subject of the inbound market-dominant rates in the Korea Post 2017 Agreement, under similar operational conditions and UPU documentation. Therefore, the Postal Service finds it difficult to conceive of a “similarly situated mailer” to which it could make a similar agreement available; accordingly, the Postal Service views this criterion as inapplicable in this instance.<sup>12</sup> In Order No. 2843, the Commission concurred “that there are no entities similarly situated to Korea Post.”<sup>13</sup> Because all of the criteria set forth in 39 U.S.C. § 3622(c)(10) have been met, the Postal Service respectfully urges the Commission to act promptly by allowing the inbound market-dominant rates in the Korea Post 2017 Agreement to be implemented effective April 1, 2017, under 39 C.F.R. § 3010.40, as requested.

## ***II. Functional Equivalency***

In Order No. 2148, the Commission designated, “for purposes of functional equivalence comparisons in future market dominant FPO 1 [Foreign Postal Operators 1] filings,” the TNT Agreement filed in Docket No. R2010-5, and the China Post 2010 Agreement filed in R2010-6, as alternative baseline agreements, with selection of the baseline agreement in each filing at the option of the Postal Service.<sup>14</sup>

The Korea Post 2017 Agreement that is the subject of this docket is functionally equivalent to the China Post 2010 Agreement filed in Docket No. R2010-6. The terms of the Korea Post 2017 Agreement fit within the Mail Classification Schedule (MCS)

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<sup>12</sup> See PRC Order No. 163, Order Concerning Bilateral Agreement with Canada Post for Inbound Market Dominant Services, Docket Nos. MC2009-7 and R2009-1, December 31, 2008, at 9-10 (“Given its narrow characterization of the underlying Agreement, the Postal Service’s position [as to ‘similarly situated mailers’] is correct. For purposes of this proceeding, the Commission concludes that it would be largely an academic exercise to consider whether a broader characterization should be employed.”).

<sup>13</sup> PRC Order No. 2843, at 7.

<sup>14</sup> PRC Order No. 2148, at 8.

language for the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product grouping, as revised and updated in the most recent working draft of the MCS available on the Commission's website.<sup>15</sup> Therefore, the Korea Post 2017 Agreement and the China Post 2010 agreement conform to a common description.

The Korea Post 2017 Agreement and the China Post 2010 Agreement are constructed from a similar template and contain many similar terms and conditions. The two agreements include rates for small packet with delivery scanning tendered to the Postal Service from each respective foreign postal operator's territory. Each contract is with a foreign postal operator.

Therefore, the Postal Service submits that the Korea Post 2017 Agreement is functionally equivalent to the China Post 2010 Agreement, and should be added to the market dominant product list within the same Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product listing in the MCS. There are, however, differences between the Korea Post 2017 Agreement and the China Post 2010 Agreement. The Postal Service provides the following comparison of the sections of the Korea Post 2017 Agreement and the China Post 2010 Agreement that concern inbound rates. Differences between the two agreements concerning inbound market-dominant rates include the following:

- The Korea Post 2017 Agreement and the China Post 2010 Agreement are with different foreign postal operators. As a result, the name and address of the foreign postal operator with whom the agreement is made is

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<sup>15</sup> See PRC, (draft) Mail Classification Schedule, posted January 22, 2017, available at <http://www.prc.gov/mail-classification-schedule>, 1602.3 Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1, at 202-203.

different in the title, first paragraph, the article concerning notice (Article 15), signature block and throughout the Korea Post 2017 Agreement.

- Article 1 Purpose of the Agreement, of the Korea Post 2017 Agreement differs from Article 1 of the China Post 2010 Agreement.
- The text of Article 2 Oversight and Effective Date, as well as the text of Article 3 Conditions Precedent, of the two agreements are slightly different.
- The text of Article 8 Termination, Article 9 Dispute Resolution, Article 10 Construction, Article 11 Indemnification and Liability, and Article 13 Confidentiality Requirements are different.
- The text of Article 18 Amendment of the two agreements is slightly different.
- Article 21 has been expanded to include references to past agreements.
- Article 22, which concerns the term of the agreement, is different.
- The Korea Post 2017 Agreement includes a revised Article 23 concerning Intellectual Property, Co-Branding, and Licensing.
- Articles 25, 26, and 27 have been added, which concern paragraph headings and reference citations, counterparts, and warranties.
- The inbound rates and the explanatory terms included in Annex 1 of the Korea Post 2017 Agreement are different.
- Annex 2, which includes various requirements related to inbound small packets with delivery scanning, is different, and includes a sample label. In contrast, a sample label was included in Annex 3 of the China Post

2010 Agreement. As a result, subsequent annexes in the Korea Post 2017 Agreement are renumbered.

- Annex 3, concerning content restrictions, includes slightly different text and updated links to websites.
- Annex 4 includes different routing details.
- Annex 7 is a new annex that includes data exchange requirements.

None of these differences affect the cost or market characteristics of the Korea Post 2017 Agreement and the baseline China Post 2010 Agreement. Therefore, the differences should not prevent the Commission from reaching the conclusion that the Korea Post 2017 Agreement is functionally equivalent to the China Post 2010 Agreement.

### ***III. Application for Non-Public Treatment***

The Postal Service maintains that certain portions of the Korea Post 2017 Agreement and related financial information should remain confidential. In accordance with 39 C.F.R. § 3007.21, the Postal Service files as Attachment 1 to this notice its application for non-public treatment of materials filed under seal. A full discussion of the required elements of the application appears in Attachment 1.

### ***IV. Conclusion***

For the reasons discussed, the Postal Service respectfully requests that the Commission add the Korea Post 2017 Agreement to the product listing for Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 product in the Mail Classification Schedule.



Respectfully submitted,

UNITED STATES POSTAL SERVICE

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## **APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS**

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,<sup>1</sup> the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to the Korea Post 2017 Agreement that is the subject of this docket. The unredacted agreement and supporting documents establishing compliance are being filed separately under seal with the Commission. A redacted copy of the Korea Post 2017 Agreement is filed with the Notice as Attachment 2. In addition, a redacted version of the supporting financial documentation is included with this public filing as a separate Excel file.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

**(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);**

The materials designated as non-public consist of information of a commercial nature that would not be publicly disclosed under good business practice. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).<sup>2</sup> Because the portions of the materials that the Postal Service seeks to

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<sup>1</sup> PRC Order No. 225, Final Rule Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

<sup>2</sup> In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law

file under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

**(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;**

In the case of the instant agreement and supporting documents, the Postal Service believes that the only third party with a proprietary interest in the materials is the foreign postal operator with whom the contract is made. Through text in Korea Post 2017 Agreement, the Postal Service has already informed the postal operator, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and the operator's ability to address its confidentiality concerns directly with the Commission. Because of language differences as well as the sensitive nature of the Postal Service's relationship with the affected foreign postal operator, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices concerning the Korea Post 2017 Agreement. The Postal Service identifies as an appropriate contact person Ms. Amy Chung, Manager, Regional Business Development. Ms. Chung's phone number is (757) 629-2178, and her email address is Amy.Chung@usps.gov.<sup>3</sup>

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enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

<sup>3</sup> The Postal Service acknowledges that 39 C.F.R. § 3007.21(c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a

**(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;**

In connection with its Notice filed in this docket, the Postal Service included the Korea Post 2017 Agreement and financial workpapers. The Postal Service maintains that the redacted portions of the Korea Post 2017 Agreement and related financial information should remain confidential.

With regard to the Korea Post 2017 Agreement filed in this docket, the redactions withhold the actual prices being offered between the parties under the Agreement, as well as certain negotiated terms, such as business rules concerning payment and settlement procedures, as well as information concerning the outbound products that are the subject of Annexes 5 and 6. The redactions applied to the financial workpapers protect commercially sensitive information such as underlying costs and assumptions, negotiated pricing, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b).

**(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;**

If the portions of the Korea Post 2017 Agreement that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Pricing and other negotiated contract

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Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's filing might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully requests a waiver to designate a Postal Service employee as the contact person under these circumstances, for the reasons provided in the text above.

terms are commercially sensitive, and the Postal Service does not believe that such information would be disclosed under good business practices. Foreign postal operators could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. Competitors could also use the information to assess the offers made by the Postal Service to foreign postal operators or other customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers include specific information such as costs, assumptions used in pricing decisions, the negotiated prices themselves, projections of variables, and contingency rates included to account for market fluctuations and exchange risks. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing, in light of statutory, regulatory, or policy constraints. Thus, competitors would be able to take advantage of the information to offer lower pricing to postal customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services markets. Given that these spreadsheets are filed in their native format, there is a reasonable likelihood that the information would be used in this way.

Potential customers could also deduce from the rates provided in the Korea Post 2017 Agreement, or from the information in the workpapers whether additional margin for net contribution exists. The settlement charges between the Postal Service and the foreign postal operator constitute costs underlying the postal services offered to each postal operator's customers, and disclosure of this cost basis would upset the balance of Postal Service negotiations with contract customers by allowing them to negotiate, rightly or wrongly, on the basis of the Postal Service's perceived supplier costs. From this information, each foreign postal operator or customer could also attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even the foreign postal operator involved in the agreement at issue in this docket could use the information in the workpapers in an attempt to renegotiate the rates in its instrument by threatening to terminate its current Agreement.

Price information in the Korea Post 2017 Agreement and financial spreadsheets also consists of sensitive commercial information of the foreign postal operator. Disclosure of such information could be used by competitors of the foreign postal operator to assess the foreign postal operator's underlying costs, and thereby develop a benchmark for the development of a competitive alternative. The foreign postal operator would also be exposed to the same risks as the Postal Service in customer negotiations based on the revelation of its supplier costs.

**(5) At least one specific hypothetical, illustrative example of each alleged harm;**

Harm: Public disclosure of the prices in the Korea Post 2017 Agreement, as well as any negotiated terms, would provide foreign postal operators or other potential customers extraordinary negotiating power to extract lower rates from the Postal Service.

Hypothetical: The negotiated prices are disclosed publicly on the Postal Regulatory Commission's website. Another postal operator sees the prices. The other postal operator then uses that publicly disclosed rate information to insist that it must receive lower rates than those the Postal Service has offered to it.

Harm: Public disclosure of information in the financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing delivery service obtains unredacted versions of the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to comply with business or legal considerations regarding cost coverage and contribution to institutional costs. The competing delivery service then sets its own rates, for similar products to those that the Postal Service offers its customers, below that threshold and markets its purported ability to beat the Postal Service on price for international delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of one or more relevant international delivery markets. Even if the competing providers do not manage wholly to freeze out the Postal Service, they would significantly cut into the

revenue streams upon which the Postal Service relies to finance provision of universal service.

Harm: Public disclosure of information in the financial workpapers would be used detrimentally by the foreign postal operator's competitors.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the workpapers to assess the foreign postal operator's underlying costs for the corresponding products. The competitor uses that information as a baseline to negotiate with U.S. companies to develop lower-cost alternatives.

**(6) The extent of protection from public disclosure deemed to be necessary;**

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international delivery products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products (including other postal operators) should not be provided access to the non-public materials. This includes the counter-party to the Agreement with respect to all materials filed under seal except for the text of the Korea Post 2017 Agreement, to which that counter-party already has access.



**(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and**

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

**(8) Any other factors or reasons relevant to support the application.**

None.

***Conclusion***

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

## KOREA POST – UNITED STATES POSTAL SERVICE MULTI-PRODUCT BILATERAL AGREEMENT

This Agreement ("Agreement") is between the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the Government of the United States with offices at 475 L'Enfant Plaza SW, Washington, DC 20260, and Korea Post, the postal operator in the Republic of Korea, organized and existing under the laws of the Republic of Korea, and having a place of business at Ministry of Science, ICT and Future Plan at 8th Building, Government Complex, Sejong, 30114, Korea. The USPS and Korea Post may be referred to individually as a "Party" and together as the "Parties."

### INTRODUCTION

WHEREAS, the Parties desire to enter into a non-exclusive relationship whereby the Parties will provide each other certain products and/or services pursuant to the terms and conditions contained herein;

WHEREAS, the Parties acknowledge and understand that the commencement of performance under this Agreement is subject to the approval of and/or non-objection by various entities with oversight responsibilities, which may include but not be limited to the USPS senior management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. Accordingly, Korea Post acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur, and in this respect the provisions of Articles 2 and 3 shall apply;

WHEREAS, in light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement as well as the terms of Article 3 of this Agreement entitled "Conditions Precedent";

NOW, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

### Article 1: Purpose of the Agreement

The purposes of this Agreement include:

- continuing a Republic of Korea to United States small packet with delivery scanning product for small packets that meet certain minimum size requirements, do not exceed 2 kilograms in weight, and are within the size limits established in Universal Postal Union Letter Post Regulations Article RL 122, as specified in Annexes 1, 2, and 4 of this Agreement;
- establishing a new United States to Republic of Korea small packet with delivery scanning product for small packets that meet certain minimum size requirements, do not exceed 2 kilograms in weight, and are within the size limits established in Universal Postal Union Letter Post Regulations Article RL 122, as specified in Annexes 1 and 5 of this Agreement; and
- establishing certain settlement rates and dispatch requirements for United States to Republic of Korea Air Parcels, as specified in Annexes 1 and 6 of this Agreement.

### Article 2: Oversight and Effective Date

The terms and pricing set forth under this Agreement require the approval from various entities that have oversight responsibilities for the USPS as set out in Article 3 below. Upon execution of this Agreement, the USPS shall seek such approval. The Parties agree that this Agreement shall come into effect after all such approvals have been obtained by USPS and notification to Korea Post by the USPS that all required approvals have been obtained. The date of notification shall be "the Effective Date," unless an alternative date is proposed by the USPS' and agreed to by Korea Post in a return communication, in which case that alternative date shall be the Effective Date.



### **Article 3: Conditions Precedent**

The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by one or more internal and external bodies that have oversight responsibilities (hereinafter "Conditions Precedent"). Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS senior management, the Governors of the USPS, the USPS Board of Governors, and the U.S. Postal Regulatory Commission. The Parties acknowledge that this Agreement might not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under this Agreement, no obligation shall exist for the USPS or Korea Post and no benefit or rights granted through this Agreement shall inure to either Party unless and until the Effective Date occurs.

### **Article 4: Limitation on Liability and Costs**

In the event that the Conditions Precedent are not fulfilled, the USPS and Korea Post shall have no liability, which shall include no obligation to pay costs associated with any action taken by Korea Post prior to the Effective Date of the Agreement. Further, in the event of termination of the Agreement or the failure of any Condition Precedent, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

### **Article 5: Price Changes; No Effect on Service Terms**

For each of the services with specific terms and conditions set forth in an attachment to this Agreement, any adjustments to the rates for the services shall be subject to the terms and conditions set forth in the Annexes of this Agreement.

### **Article 6: Monetary Transactions**

1. Each Party will bear the costs and retain the revenues for any work performed by itself and by agents or contractors on its behalf, unless the Parties agree to other arrangements to allocate costs or revenues and those arrangements are incorporated in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.
2. All taxes and duties are the sole responsibility of the Party to whom they are duly assessed and shall not be charged to any other Party in any form unless the Parties otherwise provide in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.

### **Article 7: Customs Inspection**

USPS bears no responsibility for the disposition of items in the custody of U.S. Customs & Border Protection. Further, Korea Post understands that all contents of any item, including items that are treated as sealed mail under USPS regulations, are subject to inbound search and inspection by U.S. Customs & Border Protection, regardless of when the USPS elects to conduct verification and acceptance of any inbound items.

### **Article 8: Termination**

1. Either Party may terminate this Agreement without cause upon 30 days advance written notice to be served on the other Party, with such termination effective as of the end of the calendar month in which the 30-day notice period expires. The right to terminate the

Agreement for good cause remains unaffected, and failure by a Party to make timely and full payment of any undisputed invoice or portion of an invoice so constitutes good cause.

2. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of the termination. Each Party shall bear its own costs in the event of termination. All further rights and remedies shall remain unaffected.
3. In the event of termination, and as of the effective date of termination [REDACTED] [REDACTED] neither Party shall be liable to the other for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason incurred as a result of the [REDACTED]

#### **Article 9: Dispute Resolution**

1. The Parties intend to resolve all controversies under this Agreement informally through correspondence, oral communications, and informal meetings.
2. If the method described in the above paragraph proves insufficient to resolve a controversy, the Parties agree that the signatories to this agreement, or their replacement, shall provide a written description of the controversy to the other Party and a suggested outcome. The Parties will review the information provided and shall attempt in good faith to come to an agreement on the issue through correspondence, oral communications, or informal meetings.
3. If the methods described in the above paragraph prove insufficient to resolve a controversy, the Parties agree that each Party may exercise its right to terminate this Agreement, or an action relating to cost or revenue liability may be instituted and maintained only in the United States District Court for the District of Columbia.
4. Notwithstanding the provisions of this Article 9, and without prejudice to Article 11, paragraph 1, in the event of conflict or inconsistency between the provisions of this Article 9 and Article 11, paragraph 1, the provisions of Article 11, paragraph 1 shall prevail.

#### **Article 10: Construction**

Except as otherwise provided in this Agreement, this Agreement shall be governed by and construed in accordance with U.S. Federal law.

#### **Article 11: Indemnification and Liability**

1. The Parties acknowledge that aspects of liability or indemnification [REDACTED] [REDACTED] not expressly governed by this Agreement are subject to the appropriate provisions of the Acts of the Universal Postal Union and any reservations the Parties have taken to those instruments.
2. In the event that an entity not party to this Agreement asserts claims against Korea Post or USPS that are attributable to the actions of the other Party to this Agreement and are not subject to the provisions of the Acts of the Universal Postal Union, the latter Party shall indemnify the defending Party for, and hold the defending Party harmless from, any losses, damages or liabilities suffered by the defending Party as a result. In that instance, the indemnifying Party shall also reimburse the defending Party for all reasonable expenses incurred in connection with investigating, preparing for, or defending any such claim, whether in an administrative, regulatory or judicial proceeding, and whether or not the indemnifying Party is named in the proceeding.



3. Neither Party to this Agreement shall be liable to the other Party nor will indemnify the other Party for any loss or damage including without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason, except for the following:
  - a. liability and indemnification as described in Article 11, paragraphs 1 and 2,
  - b. final settlement under Article 8, or
  - c. any actual damage or loss suffered by a Party as a result of a breach of this Agreement by the other Party.
4. Nothing in this Agreement shall be construed as an acknowledgment or concession regarding the validity of any claim or the entitlement of any Party to any amount of damages.

#### **Article 12: Language**

The official version of this Agreement, including all supporting documentation and correspondence, shall be in English. The English language shall be the controlling language for the purpose of interpreting this Agreement, and all correspondence between the Parties pertaining to this Agreement shall be in the English language. In the event of inconsistency between any terms of this Agreement, including its supporting documentation and correspondence, and any translation into another language, the English language meaning shall control.

#### **Article 13: Confidentiality Requirements**

1. The Parties consider the rate information included in this Agreement to be commercially sensitive information and agree that it should not be disclosed to third parties except as required by law. Korea Post will treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that it understands is treated as non-public by the U.S. Postal Regulatory Commission.
2. Korea Post acknowledges that as part of securing approval of this Agreement and in other subsequent regulatory filings, the Agreement and supporting documentation will be filed with the U.S. Postal Regulatory Commission ("Commission") in a docketed proceeding. Korea Post authorizes the USPS to determine the scope of information that must be made publicly available under the Commission's rules. Korea Post further understands that any unredacted portion of this document may be posted on the Commission's public website, [www.prc.gov](http://www.prc.gov). In addition, the USPS may be required to file information in connection with this instrument (including revenue, cost, or volume data) in other Commission dockets, including the Commission docket number for the Annual Compliance Report (ACR) for the USPS fiscal year(s) in which the Agreement is in effect. Each ACR docket has a distinct docket number, such as ACR201#, in which ACR201# signifies the USPS fiscal year to which the ACR pertains. Korea Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22, on the Commission's website: [www.prc.gov/Docs/63/63467/Order225.pdf](http://www.prc.gov/Docs/63/63467/Order225.pdf). At Korea Post's request, the USPS will notify Korea Post of the docket number of the Commission proceeding to establish the rates in this instrument under U.S. law, once that docket number has been assigned.

#### **Article 14: Severability**

If any of the provisions of this Agreement shall be held void or unenforceable, the other provisions shall survive and remain in full force and effect, subject only to either Party's unilateral right to terminate the Agreement.

#### **Article 15: Notices**

Any notice or other document to be given under this Agreement will be in writing and addressed as set out below. Notices may be delivered by hand, email, or Express Mail Service.

To the USPS:

Teresa Yeager  
General Manager, Business Development, Asia Pacific  
United States Postal Service  
475 L'Enfant Plaza SW, Room 5821  
Washington, DC 20260  
United States of America  
teresa.y.yeager@usps.gov

To Korea Post:

[REDACTED]  
Korea Post  
8th Building, Government Complex,  
Sejong, 30114  
Republic of Korea  
[REDACTED]

#### **Article 16: Force Majeure**

Neither Party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, whether valid or invalid, court orders, whether valid or invalid, inability to obtain material, equipment, or transportation, and any other similar or different contingency.

#### **Article 17: Legal Status of this Agreement**

This Agreement constitutes a legally binding agreement on the part of each signatory hereto and does not bind the Parties' respective governments. The Parties acknowledge that this Agreement sets out the terms and conditions of a negotiated contractual arrangement between the Parties and is not an agreement entered into or subject to international law. This Agreement does not involve the creation of a wholly-owned subsidiary of any Party or a joint venture company or partnership funded in any ratio by the Parties. The Parties do not intend that any agency or partnership relationship be created between any of them by this Agreement. Through this Agreement, the Parties do not create or designate any third-party beneficiaries.

#### **Article 18: Amendment**

This Agreement may be amended or extended only by mutual written agreement signed by authorized representatives of Korea Post and USPS (an "Amendment"). Neither a Party's acquiescence in any performance at variance to this Agreement nor a Party's failure to exercise any right or enforce any obligation shall be deemed an amendment to this Agreement. The Amendment may be contingent upon any and all necessary approvals by USPS senior management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. If such approvals are required, the Amendment will not become effective until such time as all necessary approvals are obtained.

#### **Article 19: Assignment**

This Agreement may not be assigned in whole or in part by any Party without the prior written consent of the other Party. Each Party may, however, delegate certain of its responsibilities under this Agreement to a subsidiary or other affiliate entity within its organizational structure without the



need for consent by the other Parties so long as such subsidiary or entity would be bound by this Agreement.

#### **Article 20: Applicability of Other Laws**

1. The Parties acknowledge that this Agreement does not involve the USPS's acquisition of property or services and is not subject to the Contract Disputes Act (41 U.S.C. §§ 7101 et seq.).
2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on each Party obtaining all consents, authorizations, orders, or approvals required under applicable law or policy to effectuate the Agreement.
3. The Parties understand that USPS may be required to provide copies of this Agreement to the U.S. Department of State and the U.S. Postal Regulatory Commission. Korea Post acknowledges that the entire Agreement, or portions thereof as the USPS determines to be appropriate, will be filed with the U.S. Postal Regulatory Commission with a notice to add it to the competitive and/or market dominant products lists.

#### **Article 21: Entire Agreement**

1. Except as otherwise provided in this Agreement, this Agreement, including all Annexes to this Agreement, shall constitute the entire agreement between the Parties concerning the exchange of international mail described herein.
2. The Parties acknowledge that the provisions of the Universal Postal Convention and applicable regulations apply except to the extent inconsistent with this Agreement.
3. Neither Korea Post nor the USPS is released from any obligations arising under the Korea Post – United States Postal Service Multi-Product Bilateral Agreement executed by Korea Post on November 13, 2015, and by the USPS on November 12, 2015, as amended by Modification One executed by Korea Post on November 15, 2016, and by the USPS on November 15, 2016.
4. Neither Korea Post nor the USPS is released from any obligations arising under the Licensing Agreement for the Use of USPS Trademarks and/or Logos on Packaging, Labels and/or Marketing Materials Outside the United States executed by the USPS on October 17, 2013, and by Korea Post on November 22, 2013.
5. With the exception of the Agreements mentioned in Paragraphs 3 and 4 of this Article, or as otherwise indicated in this agreement, any prior agreement, understanding, or representation of any kind pertaining to the subject matter of this Agreement and preceding the date of execution of this Agreement shall not be binding upon either Party.

#### **Article 22: Term**

1. The Parties intend that the Effective Date of the settlement rates for the products set forth in Annex 1 of this Agreement shall be April 1, 2017.
2. The USPS will notify Korea Post of the Effective Date of the Agreement within thirty (30) days after all Conditions Precedent are satisfied. USPS shall have no obligation to notify Korea Post of the status of the approval process or of potential fulfillment of the approval process. The Agreement will remain in effect for until June 30, 2018, unless terminated sooner pursuant to Article 8 of this Agreement. Before the expiration of this period, the Agreement shall be reviewed by both Parties to determine whether to extend or modify the Agreement.

#### **Article 23: Intellectual Property, Co-Branding, and Licensing**

The Parties acknowledge that in relation to improving existing international products or services, or developing new international products or services, under this Agreement that such products or services may be enhanced through the use of co-branding or the use of each Party's trademarks, logos or other intellectual property. In such instances, the Parties acknowledge and agree that any use shall be subject to separate written license agreements. The Parties acknowledge and agree that neither Party shall use the other Party's trademarks, logos or intellectual property until such time that a license for each specific use has been executed by the Parties. The Parties also agree to assist each other as needed with the filing of any required documents, including but not limited to any necessary license records before the applicable governmental authorities or third party entities, should such licenses be executed between the Parties. Korea Post acknowledges and agrees that USPS is the exclusive owner of, among other marks, the trademarks USPS®, USPS ePACKET®, ePACKET®, Commercial ePacket®, United States Postal Service®, and United States Postal Service® and Eagle Design, (also known as the "USPS Marks"); that Korea Post may use the USPS Marks only with express written permission and under license from USPS; and that any use of Korea Post of the USPS marks shall inure to the benefit of USPS.

#### **Article 24: Survival**

The provisions of Articles 4, 6, 8, 9, 10, 11, 12, 13, 14, 15, 21, 22, and 23 shall survive the conclusion or termination of this Agreement, as well as any other terms insofar as they apply to the Parties' continuing obligations to one another under the articles listed above.

#### **Article 25: Paragraph Headings and Reference Citations**

The titles to the paragraphs of this Agreement are solely for the convenience of the Parties and shall not be used to explain, modify, simplify, or aid in the interpretation of the provisions of this Agreement.

#### **Article 26: Counterparts**

The Parties may execute this Agreement in one or more counterparts (including by facsimile or by electronic means such as .pdf format). Not all Parties need be signatories to the same document. All counterpart signed documents shall be deemed an original and one instrument.

#### **Article 27: Warranties**

The Parties, through the undersigned, represent and warrant that they have authority to, intend to, and hereby do bind themselves and their respective operating subsidiaries, divisions, and branches to the obligations and commitments set forth in this Agreement



IN WITNESS WHEREOF, the Parties agree to be bound as of the latest date of signature to the terms and conditions of this Agreement.

Korea Post

\_\_\_\_\_

\_\_\_\_\_  
Deputy Director General,  
International Business and Affairs

\_\_\_\_\_  
Date

United States Postal Service

  
\_\_\_\_\_  
Cliff Rucker

\_\_\_\_\_  
Senior Vice President  
Sales and Customer Relations

  
\_\_\_\_\_  
Date

## **Annex 1: Settlement Rates**

### ***Rates***

The rates below shall be in effect for the term of this Agreement, as set forth in Article 22. Changes in rates during the term of this Agreement will be negotiated and agreed to in accordance with Article 18.

Settlement rates listed in the tables included below are product stream rates per piece and per kilogram stated in Special Drawing Rights (SDRs) unless noted otherwise. The rates are set on the conditions that current work-sharing arrangements are substantially maintained. Any changes to current work-sharing (i.e., sortation and preparation) arrangements will be subject to negotiations and mutual written agreement, including, but not limited to, agreement as to any impact on pricing.

[REDACTED]

Korea to USA			
Stream	Service Description	Settlement Charges (SDR / Piece)	Settlement Charges (SDR / Kg)
A, UD, BG	SMALL PACKET WITH DELIVERY SCANNING	[REDACTED]	

USA to Korea			
Stream	Service Description	Settlement Charges (SDR / Piece)	Settlement Charges (SDR / Kg)
[REDACTED]			

/1 A mail "Stream" is defined by Mail Category, Mail Subclass, and Receptacle Type.

/2 The rates in this Annex 1 reflect all applicable rates between the Parties as of the Effective Date. The UPU rates shall continue to apply to all mail streams that are not reflected in this rate table.

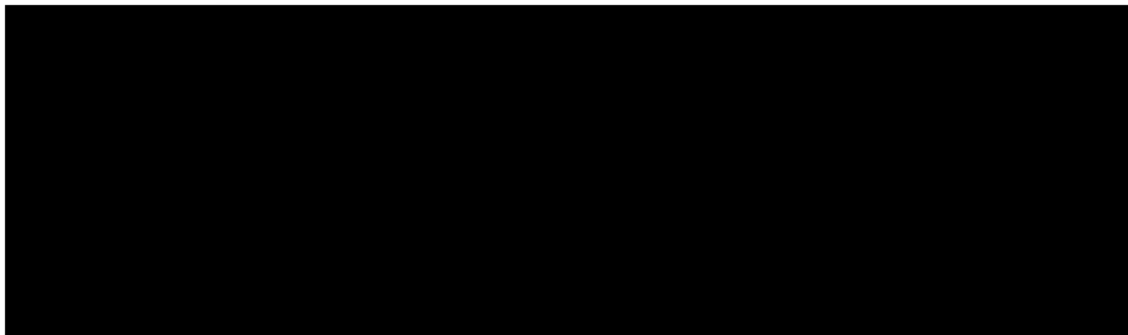
[REDACTED]

[REDACTED]

The rates for the mail stream categories in this Annex 1 of this Agreement shall be based upon the following format and product definitions.

**Specifications of Letter Post Product Categories and Formats**






Republic of Korea to United States Small Packet with Delivery Scanning (also known as "ePacket®")  
Refer to Annexes 2 and 4 of this Agreement



**Annex 2: Republic of Korea to United States Small Packets with Delivery Scanning (also known as "ePacket<sup>®</sup>")**

**Package Specific Preparation Requirements**

- 1. Package Dimensions and Weight.** Each Small Packet with Delivery Scanning (ePacket<sup>®</sup>) package shipped under this agreement must conform to the size and weight limitations specified in the UPU Letter Post Manual or as bilaterally agreed. Specifically, each package shall not exceed 2 kilograms in weight or limits of size specified in UPU Article RL 122.
- 2. Package Contents.** Packages shall conform to the importation restrictions of the United States as set forth in the *Mailing Standards of the United States Postal Service*, International Mail Manual, section 710 ("Treatment of Inbound Mail"), which can be accessed online at [http://pe.usps.com/text/imm/immc7\\_001.htm](http://pe.usps.com/text/imm/immc7_001.htm); and in accordance with the United States country listing in the Universal Postal Union's List of Prohibited Items, which can be accessed at the Universal Postal Union website at <http://www.upu.int/en/activities/customs/prohibited-and-restricted-articles/cds-list-of-prohibited-and-restricted-articles.html>. Packages should also conform to USPS's regulations on Mailable Dangerous Goods as set forth in IMM section 135, which can be accessed online at [http://pe.usps.com/text/imm/immc1\\_014.htm](http://pe.usps.com/text/imm/immc1_014.htm). USPS shall not be responsible for the contents or customs status of any packages imported under this Agreement. For packages seized or disposed of by U.S. Customs and Border Protection and not released, the sending post will not be charged postage for those packages. For packages detained but eventually released, applicable postage will apply. The sending post agrees to communicate these requirements to shippers as a condition of shipment.
- 3. Package Labeling.** Below is a sample label for Small Packet with Delivery Scanning (ePacket<sup>®</sup>).

						Air Mail Postage Paid Korea Post	
		USPS Tracking #  LK 000 000 000 KR USPS personnel scan barcodes above for delivery event information					
FROM: Tel: FOREIGN RECIPIENT ADDRESS SUITE/APT NUMBER CITY STATE/OTHER POST CODE COUNTRY		 ZIP 22161		<b>CUSTOMS DECLARATION</b>			
TO: Tel: NAME STREET ADDRESS SUITE/APT NUMBER CITY STATE ZIP+4 USA		COUNTRY : US		IMPORTANT: May be opened officially 공식적으로 개봉할 수 있음			
ePacket		2013 07 23 CHANGWON MAIL CENTER		CN 22			
Documents (서신) Documents (서신)		Commercial sample (상품 샘플) Commercial sample (상품 샘플)		Merchandise (상품) Merchandise (상품)			
Declared description of contents Declared description of contents		No. of items No. of items		Weight Weight		Value Value	
Total Weight / Value		Total Weight / Value		Total Weight / Value		Total Weight / Value	
I, the undersigned, whose name and address are given on the form, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by customs. I am responsible for the contents of this item and for the accuracy of the information given. I am responsible for the contents of this item and for the accuracy of the information given.							



### ***Receptacle Preparation Requirements***

1. **Separation from other products.** The Small Packet with Delivery Scanning product (ePacket®) that is described in this Agreement will be sorted in receptacles separate from other mail pieces. Other international products, including, but not limited to, other Letter Post products (such as Registered Mail), Express Mail Service (EMS), Air Parcels (Air CP), and direct entry packages, may not be commingled in receptacles containing Small Packet with Delivery Scanning (ePacket®) items.
2. **Receptacle Identification.** Each receptacle will contain a 29-character UPU barcode containing the bilaterally agreed-upon mail subclass code of "UD."
3. **Receptacle Routing.** To expedite the processing and delivery of these packages, the sending post may present receptacles to corresponding Offices of Exchange (OEs) per the routings outlined in Annex 4.

### ***Dispatch Preparation Requirements***

1. **Separation from other products.** The Small Packet with Delivery Scanning (ePacket®) product that is described in this Agreement will be dispatched separately from other mail pieces. Other international products, including but, not limited to, other Letter Post products, Express Mail Service (EMS), Air Parcels (Air CP), and direct entry packages, may not be commingled in dispatches containing Small Packet with Delivery Scanning (ePacket®) items.
2. **Dispatch Identification.** Each dispatch will contain the bilaterally agreed-upon mail subclass code of "UD" and unique dispatch numbers, which shall not repeat within any settlement period.
3. **Dispatch Manifesting.** Each dispatch will be manifested using the existing PREDES messages, whereby the number of receptacles and the total weight and number of pieces contained in each receptacle will be transmitted as accurately and timely as possible, subject to the requirements in Annex 4.
4. **Sortation.** Each sortation of each item in each dispatch must be in accordance with the sortation requirements in Annex 4.

### ***Financial Requirements***

ePacket® volumes will be identified and segregated from other Letter Post volume through the assignment of the "UD" mail subclass. Korea Post agrees to generate unique dispatch numbers throughout the course of the settlement period. At the end of each calendar quarter, the corresponding rate, as determined in this agreement, shall be applied to the corresponding ePacket® volume, as identified by the mail subclass. A quarterly ePacket® invoice will be provided separate from the Terminal Dues invoice.

### ***General Settlement Requirements***

Undisputed invoices or portions of invoices for any mail originating from Korea Post to USPS, including Letter Post; Air and Surface Parcels; and EMS, that are past due pursuant to current settlement procedures will be charged interest at a rate of [REDACTED]. The portion of interest will be billed each month until the past due account balance (including accrued interest) is paid in full. To the extent that a portion of the invoice is disputed, only the undisputed portion will accrue interest if it becomes past due. No interest will be accrued unless the USPS invoices and provides a minimum of 30 days for payment.

### ***Return Service, Customer Inquiries and Compensation***

1. **Return Service.** Return service for undeliverable, refused, or missent packages will be provided consistent with the current procedures for letter-post small packets.

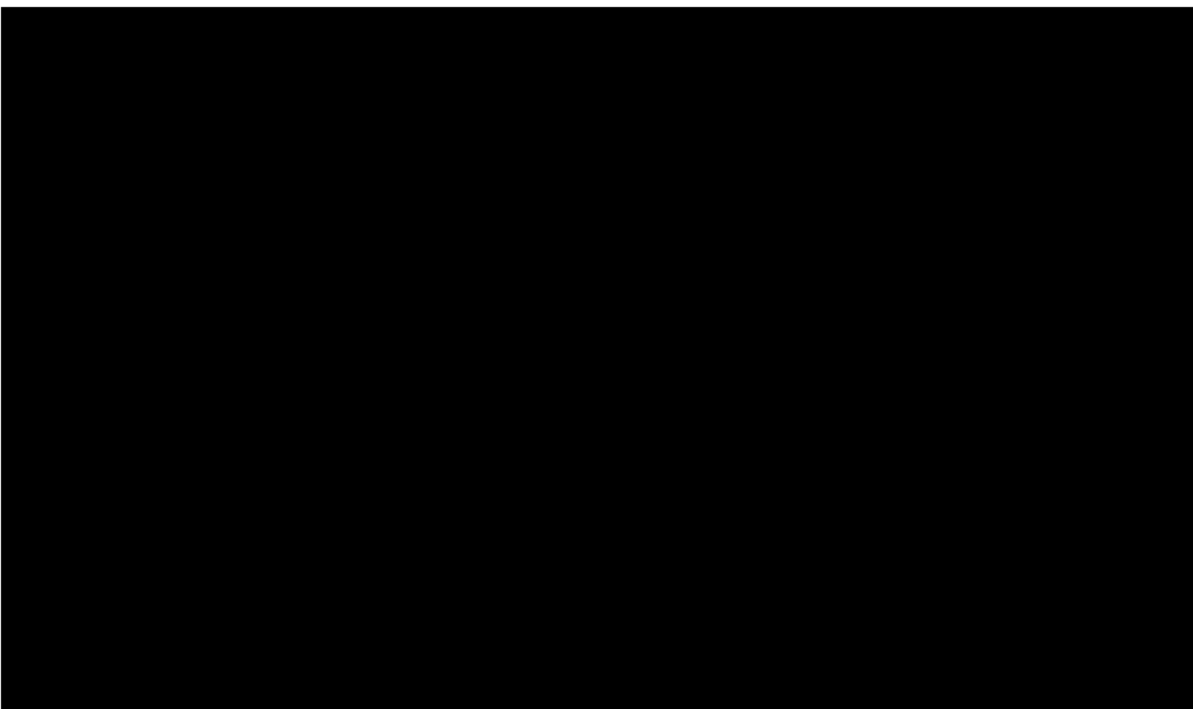
2. **Customer Inquiries.** USPS will not accommodate customer inquiries made by customers in either Korea or the United States through retail units, customer service hotlines, or other channels for ePacket®.
3. **Compensation.** USPS does not offer indemnity or insurance for ePacket®. Accordingly, unless the Parties agree otherwise in a separate written agreement, USPS shall have no such liability.

***Service Standards***



**Business Rules for International Mail Settlement for the ePacket® Mail Stream**

- Mail Streams. The ePacket® mail stream consists of A UD BG.
- Settlement Rate. The settlement rate per piece and per kilogram is set forth in Annex 1.



**Annex 3: Detailed Item Content Restrictions**

All items mailed under this Agreement must conform to the mailability requirements of the United States Postal Service, as detailed in the International Mail Manual sections 135 and 710; the United States country listing in the Universal Postal Union's List of Prohibited Items; and Domestic Mail Manual section 601. As of the execution date of this Agreement, these materials are available at the following websites, respectively:

[http://pe.usps.com/text/imm/immc1\\_014.htm](http://pe.usps.com/text/imm/immc1_014.htm)

[http://pe.usps.com/text/imm/immc7\\_001.htm](http://pe.usps.com/text/imm/immc7_001.htm)

<http://www.upu.int/en/activities/customs/prohibited-and-restricted-articles/cds-list-of-prohibited-and-restricted-articles.html>

<http://pe.usps.gov/text/dmm300/601.htm>

**Annex 4: Office of Exchange Routing Details**

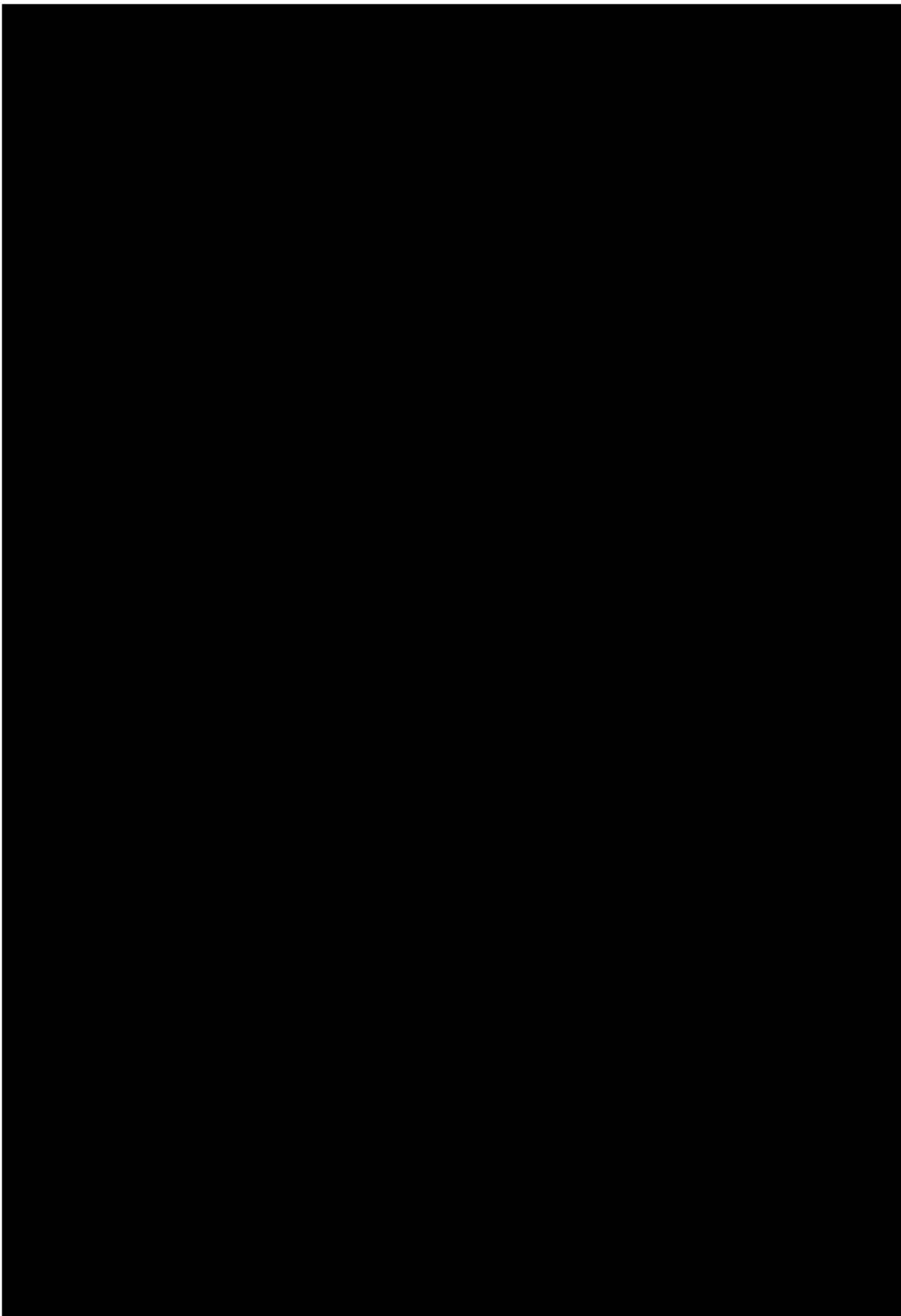
The following table illustrates the appropriate U.S. point of entry for Republic of Korea to United States Small Packets with Delivery Scanning (ePacket®) under this Agreement based

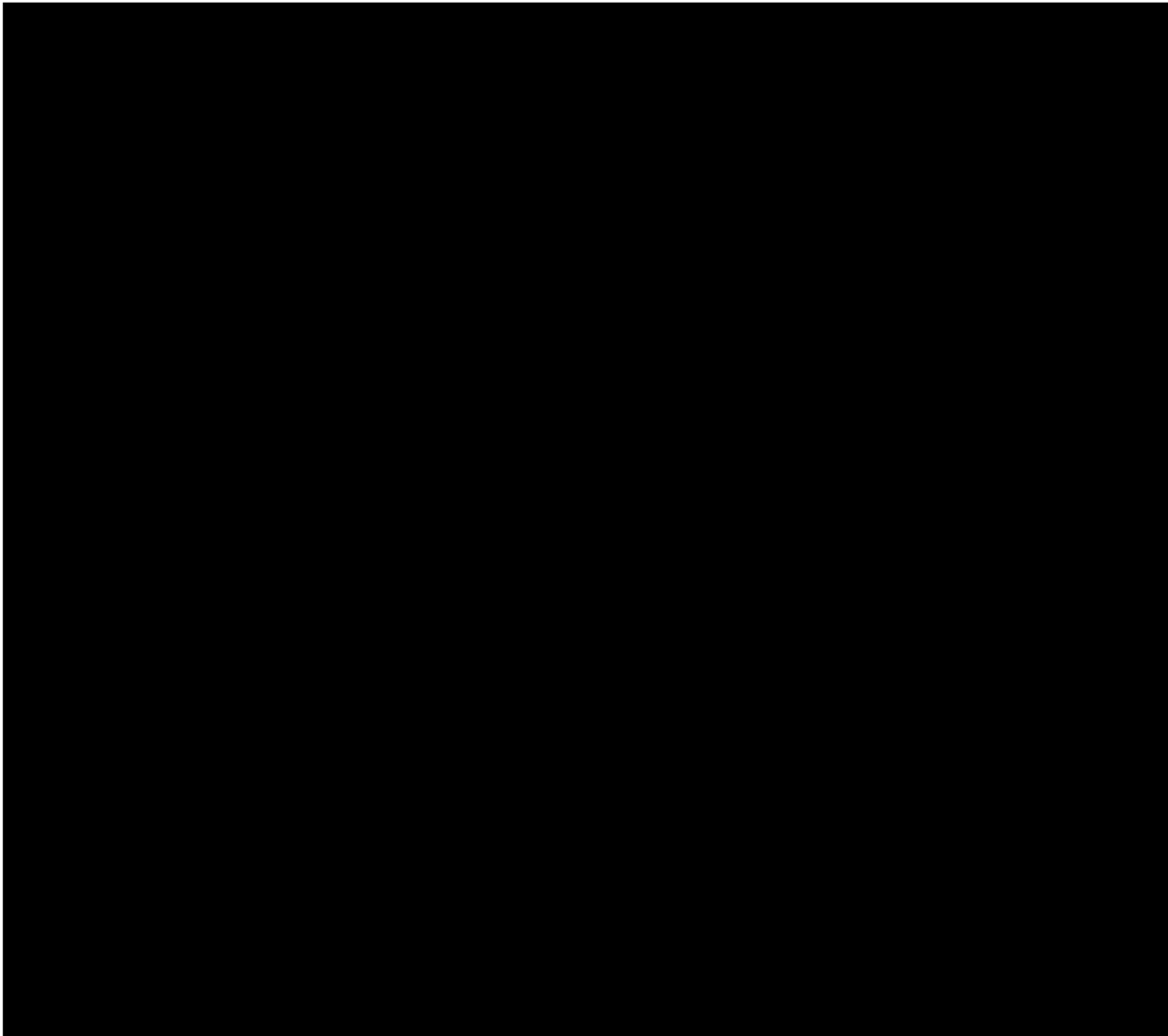
[REDACTED]

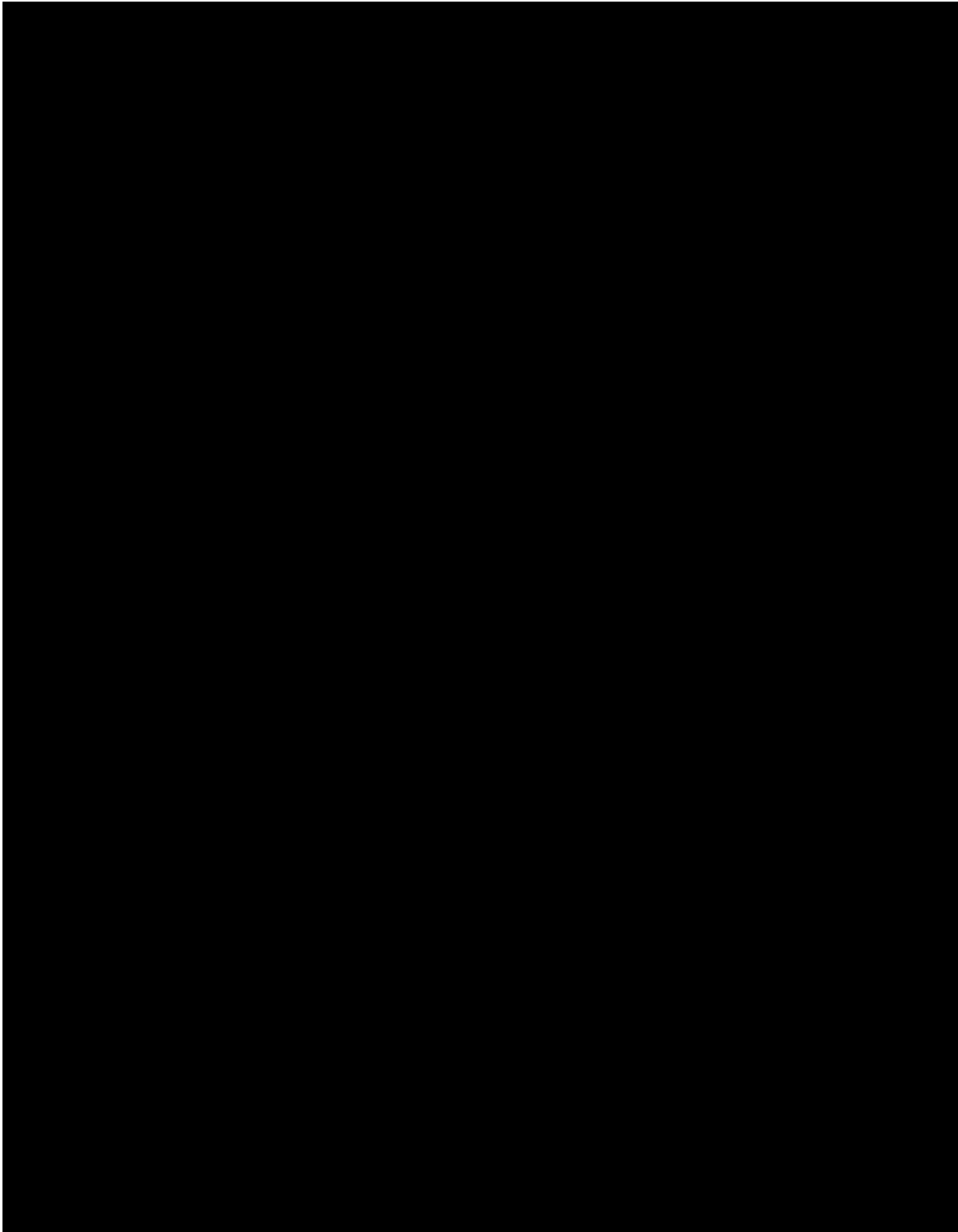
<b><u>Republic of Korea to United States Small Packets with Delivery Scanning (ePacket®)</u></b>
--

[REDACTED]
------------











### **Annex 7 – Additional Requirements**

For services for which rates are set forth in Annex 1 of this Agreement, the following requirements apply to all bidirectional flows originating and destinating in the territories served by both Parties under this Agreement:

#### ***Data Exchange Requirements***

1. Each Party shall generate and transmit, [REDACTED]  
[REDACTED] ITMATTv.8 or higher;
2. Each Party shall generate and transmit, [REDACTED]  
[REDACTED] PREDES with item to receptacle information and scheduled flight information;
3. Each Party shall generate for access by the other Party, [REDACTED]  
[REDACTED] EMSEVT v.3 with acceptance event and departure from origin office or exchange event scans.